

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7699

BILL NUMBER: HB 1185

DATE PREPARED: Jan 2, 2001

BILL AMENDED:

SUBJECT: Individual Development Accounts.

FISCAL ANALYST: Diane Powers

PHONE NUMBER: 232-9853

FUNDS AFFECTED: ☒ **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

STATE IMPACT	FY 2001	FY 2002	FY 2003
State Revenues			
State Expenditures		920,000	1,640,000
Net Increase (Decrease)		(920,000)	(1,640,000)

Summary of Legislation: This bill eliminates the expiration clauses of the Individual Development Accounts (IDA) Program. The bill expands the authorized uses of the Individual Development Account to include reducing the principal amount owed on a primary residence and expanding existing small businesses. It also specifies that a qualified individual may use the account funds to pay for tuition, laboratory costs, books, and computer costs at an accredited institution of higher education, vocational school, or licensed or accredited training program. The bill allows the funds of an Individual Development Account to be rolled over into an Indiana Family College Savings Program Account. The bill also reduces the maximum tax credits to \$200,000. Funds are appropriated to the Department of Commerce to distribute to community development corporations for program support costs incurred by the community development corporations if certain requirements are met. The bill also appropriates funds to the Department of Commerce to carry out the purposes of this act.

Effective Date: July 1, 2001.

Explanation of State Expenditures: This bill extends the IDA program with the elimination of the July 1, 2001, expiration date. This program was established by P.L. 15 -1997 and allowed up to 800 individuals who receive Temporary Assistance to Needy Families (TANF) assistance **or** had income less than 150% of the federal poverty level to establish savings accounts. These accounts would receive a three-to-one match

of state funds. The program limits the state match to \$900 per account.

This bill expands the uses of the IDA account in the following areas:

1. Costs at an accredited institution of higher education, a vocational school, or an accredited or licensed training program, including tuition, laboratory costs, books, computer costs, and other costs associated with attendance.
2. Reduction of the principal amount owed on a primary residence.
3. Expansion of an existing business.
4. Rollover into an Indiana Family College Savings Account.

This bill also expands the income eligibility from 150% to 200% of the federal income poverty level. This change is intended to allow individuals who would be eligible for the federal IDA program to receive federal matching funds. In 1999, Indiana was awarded a grant of \$930,000, renewable for five years, from the Asset for Independence Act (AFIA) which provides an additional three-to-one matching grant to individuals with IDA accounts. This program was recently amended to include individuals up to 200% of poverty. (S 3214 - 2001)

Over the first three years of the program, 45 community development corporations (CDCs) were approved to administer the program. Currently, 39 CDCs have enrolled 1,457 individuals. The table below shows the number of active savings accounts, along with the corresponding state and federal match.

Fiscal Year	Accounts	State Match	Fed Accounts	Fed Match
1998	351	\$212,210		
1999	509	\$327,777		
2000	978	\$832,284	580	\$399,852
Total		\$1,372,272	580	\$399,852

This bill appropriates **\$200,000** to the Department of Commerce in each of FY 2002 and FY 2003 from the General Fund for the Department's use in providing program support to community development corporations.

The bill also makes appropriations from the state General Fund to the Department of Commerce for the specific amounts to be used as the state match for the IDAs. The current program limits the annual amount appropriated for each account to \$900 for each account. An individual account may not receive more than four years of state matching funds. The IDA program also limits the number of accounts which can be established each year to 800. The maximum number of accounts which could exist when the program is fully implemented is 3,200 (since an account can only receive funds for four years.). **The appropriation for FY 2002 is \$720,000, \$1,440,000 for FY 2003, \$2,160,000 for FY 2004, and \$2,880,000 for FY 2005.** For future years, the program will require approximately \$2,880,000 to fully fund the maximum number of accounts of 3,200 with a maximum potential match of \$900.

Explanation of State Revenues: This bill reduces the amount of tax credits that may be claimed by businesses who make a contribution to a community development corporation participating in the IDA program from the current level of \$500,000 to \$200,000. Over the first three years of the program, only one

community development corporation used the credit for a total of \$45,000. This change will reduce the state's exposure for this credit by \$300,000 annually.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Commerce; Department of State Revenue.

Local Agencies Affected:

Information Sources: Department of Commerce.